



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MARION COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MARION COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Marion County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based on the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances decreased by \$597,148 from the beginning of the year, resulting in a cash surplus of \$853,584 as of June 30, 2001.

#### **Debt Obligations:**

Long-term notes payable totaled \$5,352,770 as of June 30, 2001. Future principal and interest payments of \$8,182,284 are needed to meet these obligations.

#### **Deposits:**

As of June 30, 2001, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond. However, as of August 31, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$25,339 of public funds uninsured and unsecured. In addition, one of the written agreements with the depository institutions securing the county's interest in the collateral was not approved by the board of directors.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable David R. Hourigan, Marion County Judge/Executive

Members of the Marion County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Marion County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Marion County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Marion County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Marion County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable David R. Hourigan, Marion County Judge/Executive  
Members of the Marion County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 14, 2002 on our consideration of Marion County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Marion County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 14, 2002



MARION COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

|                              |                        |
|------------------------------|------------------------|
| David R. Hourigan            | County Judge/Executive |
| William Kelley Bradshaw, Jr. | Magistrate             |
| J.B. Thomas                  | Magistrate             |
| Robert G. Craig, Sr.         | Magistrate             |
| Joseph D. Thompson           | Magistrate             |

**Other Elected Officials:**

|                          |                                  |
|--------------------------|----------------------------------|
| Joseph H. Mattingly, III | County Attorney                  |
| Charles L. Webb          | Jailer                           |
| Samuel Edward Lee, III   | County Clerk                     |
| Kim May                  | Circuit Court Clerk              |
| Carroll Kirkland         | Sheriff                          |
| Raphael Spalding         | Property Valuation Administrator |
| Bobby A. Hardin          | Coroner                          |

**Appointed Personnel:**

|                |                  |
|----------------|------------------|
| Sam Fogle      | County Treasurer |
| Theresa Wilson | Finance Officer  |

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MARION COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

|  |    |               |            |
|--|----|---------------|------------|
| General Fund:                              |    |               |            |
| Cash                                       | \$ | 416,187       |            |
| Road and Bridge Fund:                      |    |               |            |
| Cash                                       |    | 73,167        |            |
| Jail Fund:                                 |    |               |            |
| Cash                                       |    | 140,600       |            |
| Local Government Economic Assistance Fund: |    |               |            |
| Cash                                       |    | 69,467        |            |
| Ambulance Service Fund:                    |    |               |            |
| Cash                                       |    | 13,135        |            |
| Retirement Account - Cash                  |    | 852           |            |
| Social Security Account - Cash             |    | 10,746        |            |
| Health Insurance Account-                  |    |               |            |
| Due From Other Funds                       |    | 6,124         |            |
| Employee Benefit Plan Account - Cash       |    | <u>64,826</u> | \$ 795,104 |

Capital Projects Fund Type

|  |    |            |         |
|--|----|------------|---------|
| Public Properties Corporation Fund:      |    |            |         |
| Jail Construction Account - Cash         | \$ | 140,875    |         |
| EMS Building Construction Account - Cash |    | <u>153</u> | 141,028 |

Other Resources

Capital Projects Fund Type

|   |  |                            |
|---|--|----------------------------|
| Public Properties Corporation Fund:   |  |                            |
| Amounts to be Provided in Future Years for Note Principal Payments (Note 4) |  | <u>5,352,770</u>           |
| Total Assets and Other Resources  |  | <u><u>\$ 6,288,902</u></u> |

The accompanying notes are an integral part of the financial statements.

MARION COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

|   |    |               |           |
|---|----|---------------|-----------|
| Retirement Account                        | \$ | 852           |           |
| Social Security Account                   |    | 10,746        |           |
| Health Insurance Account - Cash Overdraft |    | 6,124         |           |
| Employee Benefit Plan Account             |    | <u>64,826</u> | \$ 82,548 |

Capital Projects Fund Type

|                                     |  |                |           |
|-------------------------------------|--|----------------|-----------|
| Public Properties Corporation Fund: |  |                |           |
| Note Payable (Note 4A)              |  | 4,987,690      |           |
| Note Payable (Note 4B)              |  | <u>365,080</u> | 5,352,770 |

Fund Balances

Reserved:

Capital Projects Fund Type

|                                      |    |            |         |
|--------------------------------------|----|------------|---------|
| Public Properties Corporation Fund - |    |            |         |
| Jail Construction Account            | \$ | 140,875    |         |
| EMS Building Construction Account    |    | <u>153</u> | 141,028 |

Unreserved:

General Fund Type

|   |    |               |                     |
|---|----|---------------|---------------------|
| General Fund                              | \$ | 416,187       |                     |
| Road and Bridge Fund                      |    | 73,167        |                     |
| Jail Fund                                 |    | 140,600       |                     |
| Local Government Economic Assistance Fund |    | 69,467        |                     |
| Ambulance Service Fund                    |    | <u>13,135</u> | 712,556             |
| Total Liabilities and Fund Balances       |    |               | <u>\$ 6,288,902</u> |

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MARION COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

|   | General Fund Type              |                     |                            |                     |
|---|--------------------------------|---------------------|----------------------------|---------------------|
|   | Totals<br>(Memorandum<br>Only) | General<br>Fund     | Road and<br>Bridge<br>Fund | Jail Fund           |
| <u>Cash Receipts</u>  |                                |                     |                            |                     |
| Schedule of Operating Revenue   | \$ 8,113,704                   | \$ 4,432,016        | \$ 1,269,331               | \$ 2,148,627        |
| Transfers In  | 935,000                        | 60,000              | 360,000                    | 160,000             |
| Borrowed Money  | 250,000                        | 250,000             |                            |                     |
| Kentucky Advanced Revenue Program                                       | 2,585,700                      | 2,516,900           | 68,800                     |                     |
| Total Cash Receipts   | <u>\$ 11,884,404</u>           | <u>\$ 7,258,916</u> | <u>\$ 1,698,131</u>        | <u>\$ 2,308,627</u> |
| <u>Cash Disbursements</u>   |                                |                     |                            |                     |
| Comparative Schedule of Final Budget<br>and Budgeted Expenditures       | \$ 7,594,072                   | \$ 3,058,509        | \$ 1,559,534               | \$ 2,040,242        |
| Schedule of Public Properties   |                                |                     |                            |                     |
| Corporation Fund Expenditures   | 518,512                        |                     |                            |                     |
| Transfers Out   | 935,000                        | 875,000             |                            | 60,000              |
| Borrowed Money Repaid   | 798,838                        | 666,949             |                            | 131,889             |
| Kentucky Advanced Revenue Program<br>Repaid                             | 2,585,700                      | 2,516,900           | 68,800                     |                     |
| Total Cash Disbursements  | <u>\$ 12,432,122</u>           | <u>\$ 7,117,358</u> | <u>\$ 1,628,334</u>        | <u>\$ 2,232,131</u> |
| Excess (Deficiency) of Cash Receipts<br>Over (Under) Cash Disbursements | \$ (547,718)                   | \$ 141,558          | \$ 69,797                  | \$ 76,496           |
| Cash Balance - July 1, 2000   | <u>1,401,302</u>               | <u>274,629</u>      | <u>3,370</u>               | <u>64,104</u>       |
| Cash Balance - June 30, 2001  | <u>\$ 853,584</u>              | <u>\$ 416,187</u>   | <u>\$ 73,167</u>           | <u>\$ 140,600</u>   |

The accompanying notes are an integral part of the financial statements.



MARION COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2001  
(Continued)

| General Fund Type                                     |                              | Capital Projects Fund Type |  |  |
|---|------------------------------|----------------------------|--|--|
| Local<br>Government<br>Economic<br>Assistance<br>Fund | Ambulance<br>Service<br>Fund | Grants<br>Fund             | Public<br>Properties<br>Corporation<br>Fund<br>Jail<br>Construction<br>Account | Public<br>Properties<br>Corporation<br>Fund<br>EMS Building<br>Construction<br>Account |
| \$ 24,941   | \$ 223,174<br>355,000        | \$ 892                     | \$ 11,185  | \$ 3,538   |
| <u>\$ 24,941</u>                                      | <u>\$ 578,174</u>            | <u>\$ 892</u>              | <u>\$ 11,185</u>   | <u>\$ 3,538</u>  |
| \$ 20,000   | \$ 568,555                   | \$ 347,232                 | \$ 124,398   | \$ 394,114   |
| <u>\$ 20,000</u>                                      | <u>\$ 568,555</u>            | <u>\$ 347,232</u>          | <u>\$ 124,398</u>  | <u>\$ 394,114</u>  |
| \$ 4,941<br>64,526                                    | \$ 9,619<br>3,516            | \$ (346,340)<br>346,340    | \$ (113,213)<br>254,088  | \$ (390,576)<br>390,729  |
| <u>\$ 69,467</u>                                      | <u>\$ 13,135</u>             | <u>\$ 0</u>                | <u>\$ 140,875</u>  | <u>\$ 153</u>  |

The accompanying notes are an integral part of the financial statements.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Marion County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Marion County Public Properties Corporation as part of the reporting entity.

The Marion County Public Properties Corporation is a legally separate entity established to provide long-term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management has included the Marion County Public Properties Corporation as a component unit, and the entity's financial activity was blended with that of the Fiscal Court.

Additional - Marion County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Marion County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Marion County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Marion County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and the Ambulance Service Fund.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Capital Projects Fund Type

Capital Project Funds Type accounts for financial resources to be used for acquisition of major capital facilities. The Public Properties Corporation Fund and the Grants Fund of the Fiscal Court are reported as Capital Projects Fund Types.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Marion County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation Fund. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Marion County Fiscal Court:

Marion County Water District  
Marion County Public Library  
Marion County Soil Conservation District

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2001, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond. However, as of August 31, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$25,339 of public funds uninsured and unsecured. In addition, one of the written agreements with the depository institutions securing the county's interest in the collateral was not approved by the board of directors.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2000.

|   | <u>Bank Balance</u> |
|---|---------------------|
| Insured or collateralized with securities held by the county's agent in the county's name | \$ 1,166,102        |
| FDIC Insurance  | 310,976             |
| Uncollateralized and uninsured  | <u>25,339</u>       |
| Total   | <u>\$ 1,502,417</u> |

Note 4. Long-Term Debt

- A. On June 10, 1998, the Marion County Public Properties Corporation entered into a contract, lease, and option in the amount of \$5,400,000 from Community Trust Bank, F.S.B. for the purpose of funding the expansion of the Marion County Detention Center. The estimated cost of the expansion was \$1,990,046; the remaining balance of the contract, lease, and option was used to pay off the financing statement with Star Bank, N.A. for the original construction. The date of the final maturity of the obligation is May 1, 2018. As of June 30, 2001, the outstanding principal balance was \$4,987,690.

| <u>Due Date</u> | <u>Interest</u>     | <u>Principal</u>    |
|-----------------|---------------------|---------------------|
| June 30,2002    | \$ 275,037          | \$ 182,125          |
| June 30,2003    | 264,666             | 192,496             |
| June 30,2004    | 254,389             | 202,773             |
| June 30,2005    | 242,159             | 215,003             |
| June 30,2006    | 229,917             | 227,245             |
| Thereafter      | <u>1,515,896</u>    | <u>3,968,048</u>    |
| Totals          | <u>\$ 2,782,064</u> | <u>\$ 4,987,690</u> |

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 4. Long-Term Debt (Continued)

B. On December 20, 1999, the Marion County Public Properties Corporation entered into a contract, lease, and option in the amount of \$725,000 from Community Trust Bank, F.S.B. for the purpose of funding the construction of the Marion County Disaster and Emergency Services Facility. The date of the final maturity of the obligation is December 1, 2009. As of June 30, 2001, the outstanding principal balance was \$365,080.

| <u>Due Date</u> | <u>Interest</u>  | <u>Principal</u>  |
|-----------------|------------------|-------------------|
| June 30,2002    | \$ 19,263        | \$ 81,177         |
| June 30,2003    | 14,493           | 85,947            |
| June 30,2004    | 9,444            | 90,996            |
| June 30,2005    | 4,097            | 96,343            |
| June 30,2006    | 153              | 10,617            |
| Totals          | <u>\$ 47,450</u> | <u>\$ 365,080</u> |

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

| <u>Description</u>  | <u>Purchase Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Amount</u>    |
|---|----------------------|----------------------|----------------------|------------------|
| Lease Purchase Agreement<br>Various Equipment and<br>Vehicles | 12/02/96             | 05/15/06             | 6.25%                | <u>\$ 43,075</u> |

Note 6. Health Insurance

The Marion County Health Insurance Fund provides health insurance coverage to county employees. The county transfers from each fund (General, Road, Jail and Ambulance) the amount for a single policy for each employee that is eligible and elects to receive insurance from the county. Employees have \$20 per month deducted from their paychecks for a single plan, and any employee who selects a plan that is not a single plan (i.e. family, spouse/children) have \$145 per month deducted from their paychecks. Premiums are determined by the county based on recommendations submitted to them by their Managing General Underwriter-Alliance Underwriters, LLC.

Marion County also carries insurance to pay for claims in excess of \$25,000 per person per incident. Additionally, their reinsurer pays for all claims in one plan year over a specified dollar amount, \$480,000, for 2000/2001 plan year. The county pays for all expenditures during a plan year; and the amount to be paid by the reinsurer is reimbursed to the county at the end of the plan year.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

During the Fiscal Year Ending June 30, 2001, the Marion County Jail Canteen received \$215,596 and expended \$213,837. The Jail Canteen reported June 30, 2000 and 2001 ending balances of \$21,184 and \$22,943 respectively.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



MARION COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

| <u>Budgeted Funds</u>  | <u>Budgeted<br/>Operating<br/>Revenue</u> | <u>Actual<br/>Operating<br/>Revenue</u> | <u>Over<br/>(Under)<br/>Budget</u> |
|--|---|---|------------------------------------|
| <u>General Fund Type</u>   |   |   |                                    |
| General Fund   | \$ 4,641,550                              | \$ 4,432,016                            | \$ (209,534)                       |
| Road and Bridge Fund   | 1,174,614                                 | 1,269,331                               | 94,717                             |
| Jail Fund  | 1,833,565                                 | 2,148,627                               | 315,062                            |
| Local Government Economic Assistance Fund  | 20,000                                    | 24,941                                  | 4,941                              |
| Ambulance Service Fund   | 261,000                                   | 223,174                                 | (37,826)                           |
| <u>Capital Projects Fund Type</u>  |   |   |                                    |
| Grants Fund  | <u>346,000</u>                            | <u>892</u>                              | <u>(345,108)</u>                   |
| Totals   | <u>\$ 8,276,729</u>                       | <u>\$ 8,098,981</u>                     | <u>\$ (177,748)</u>                |
| <u>Reconciliation</u>  |   |   |                                    |
| Total Budgeted Operating Revenue Above   |   | \$ 8,276,729                            |                                    |
| Add: Budgeted Prior Year Surplus   |   | 619,985                                 |                                    |
| Add: Budgeted Borrowed Money   |   | 1,050,000                               |                                    |
| Less: Budgeted Other Financing Uses  |   | <u>(889,125)</u>                        |                                    |
| Total Operating Budget Per Comparative Schedule<br>Of Final Budget and Budgeted Expenditures |   | <u>\$ 9,057,589</u>                     |                                    |

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SCHEDULE OF OPERATING REVENUE



MARION COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

| Revenue Categories         | <u>GOVERNMENTAL FUND TYPES</u> |                      |                                  |
|----------------------------|--------------------------------|----------------------|----------------------------------|
|                            | Totals<br>(Memorandum<br>Only) | General<br>Fund Type | Capital<br>Projects<br>Fund Type |
| Taxes                      | \$ 1,966,753                   | \$ 1,966,753         | \$                               |
| Excess Fees                | 106,158                        | 106,158              |                                  |
| Licenses and Permits       | 6,586                          | 6,586                |                                  |
| Intergovernmental Revenues | 4,531,896                      | 4,531,896            |                                  |
| Charges for Services       | 1,223,583                      | 1,223,583            |                                  |
| Miscellaneous Revenues     | 235,360                        | 235,360              |                                  |
| Interest Earned            | 43,368                         | 27,753               | 15,615                           |
| Total Operating Revenue    | <u>\$ 8,113,704</u>            | <u>\$ 8,098,089</u>  | <u>\$ 15,615</u>                 |

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



MARION COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

| Expenditure Categories                                      | GENERAL FUND TYPE          |                          |                           |
|---|----------------------------|--------------------------|---------------------------|
|   | Final<br>Budget            | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
| General Government  | \$ 722,120                 | \$ 625,959               | \$ 96,161                 |
| Protection to Persons and Property                          | 2,263,350                  | 2,180,674                | 82,676                    |
| General Health and Sanitation                               | 887,500                    | 798,809                  | 88,691                    |
| Social Services   | 4,500                      | 4,191                    | 309                       |
| Recreation and Culture                                      | 127,000                    | 123,279                  | 3,721                     |
| Roads   | 1,260,606                  | 1,492,089                | (231,483)                 |
| Bus Services  | 55,140                     | 55,140                   |                           |
| Other Transportation Facilities and Services                | 50,000                     | 40,256                   | 9,744                     |
| Debt Service  | 1,213,000                  | 309,722                  | 903,278                   |
| Capital Projects  | 901,580                    | 469,730                  | 431,850                   |
| Administration  | 1,226,793                  | 1,146,991                | 79,802                    |
| Total Operating Budget - All General<br>Fund Types          | \$ 8,711,589               | \$ 7,246,840             | \$ 1,464,749              |
| Other Financing Uses:                                       |                            |                          |                           |
| Borrowed Money -  |                            |                          |                           |
| Principal on Notes Payable                                  | 889,125                    | 798,838                  | 90,287                    |
| TOTAL BUDGET - ALL GENERAL<br>FUND TYPES                    | <u>\$ 9,600,714</u>        | <u>\$ 8,045,678</u>      | <u>\$ 1,555,036</u>       |
| Expenditure Categories                                      | CAPITAL PROJECTS FUND TYPE |                          |                           |
|   | Final<br>Budget            | Budgeted<br>Expenditures | Under<br>(Over)<br>Budget |
| Recreation and Culture                                      | \$ 346,000                 | \$ 347,232               | \$ (1,232)                |
| Total Operating Budget - All Capital<br>Projects Fund Types | <u>\$ 346,000</u>          | <u>\$ 347,232</u>        | <u>\$ (1,232)</u>         |

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SCHEDULE OF PUBLIC PROPERTIES CORPORATION FUND EXPENDITURES



MARION COUNTY  
SCHEDULE OF PUBLIC PROPERTIES CORPORATION FUND EXPENDITURES

Fiscal Year Ended June 30, 2001

| <u>Expenditure Categories</u> | <u>Jail<br/>Construction<br/>Account</u> | <u>EMS Building<br/>Construction<br/>Account</u> | <u>Total<br/>Public<br/>Properties<br/>Corporation</u> |
|-------------------------------|--|--|--|
| Jail Construction             | \$ 124,398                               | \$   | \$ 124,398   |
| Professional Services         |  | 34,641   | 34,641   |
| Building Construction         |  | 328,383  | 328,383  |
| Paving                        |  | 31,090   | 31,090   |
| Totals                        | <u>\$ 124,398</u>                        | <u>\$ 394,114</u>                                | <u>\$ 518,512</u>                                      |

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable David R. Hourigan, Marion County Judge/Executive

Members of the Marion County Fiscal Court

**Report On Compliance And On Internal Control**  
**Over Financial Reporting Based On An Audit Of Financial**  
**Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Marion County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated May 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marion County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 14, 2002

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MARION COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

Appendix A



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**MARION COUNTY FISCAL COURT**

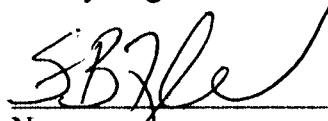
**Fiscal Year Ended June 30, 2001**

The Marion County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer